

AR80

Huron & Erie Mortgage Corporation



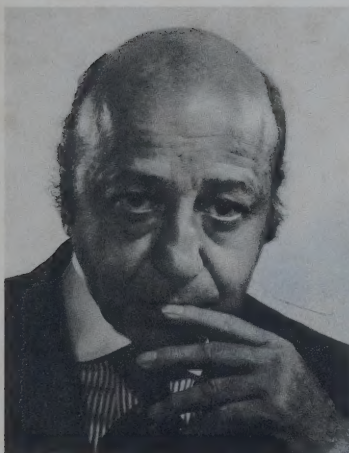
Canada Trust

Annual Report 1973





The safekeeping of securities, valuable documents and other possessions makes good sense. A Canada Trust Safe Deposit Box is a low cost way of providing this protection. *Portrait by Karsh, Ottawa.*



An Assignment for Yousuf Karsh

A famous Canadian in his own right, Yousuf Karsh of Ottawa, has photographed some of the world's most outstanding personalities.

His lens has captured the moods and the essence of such notabilities as Her Majesty Queen Elizabeth II and the Royal Family, Prime Ministers of Canada, Presidents of the United States, Heads of State of many nations, and the "Faces of our Time" which have graced the sciences, music, the arts and literature.

But Mr. Karsh has not concentrated on the famous. He, himself has written that he likes to photograph the great in spirit, whether they be famous or humble.

We asked Yousuf Karsh to accept an assignment to photograph some of the diverse people from every walk of life who use the services of Canada Trust. He agreed, saying that he was especially delighted to have his first experience working directly with a Canadian institution such as Canada Trust.

We are proud of the pictures in this Annual Report, all of which are "Portraits by Karsh."



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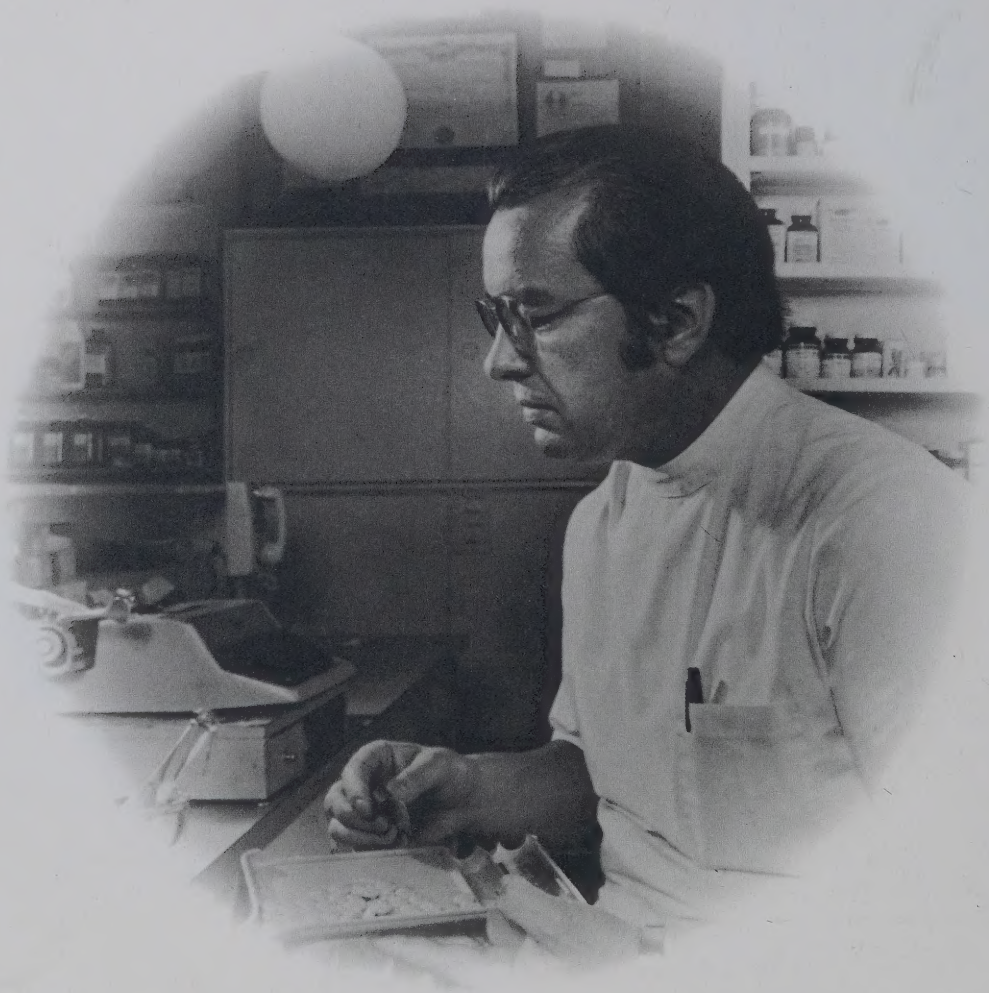
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A Canada Trust Savings Account is ideal when setting aside money for emergencies, special plans and purchases, or even for that Brownie Pack summer camp or outing. *Portrait by Karsh, Ottawa.*



Planning now is the right prescription for ensuring future retirement enjoyment while conserving on taxes today. This self-employed businessman has found a Canada Trust Registered Retirement Savings Plan provides the perfect vehicle.

Portrait by Karsh, Ottawa.

THE HURON AND ERIE MORTGAGE CORPORATION

THE CANADA TRUST COMPANY

Head office: London, Canada

Consolidated Annual Report for the year ended December 31, 1973

Facts in Brief

	1973	1972
Income	\$ 170,628,000	\$ 146,891,000
Expense	145,575,000	122,657,000
Earnings before income taxes	25,053,000	24,234,000
Income taxes	12,190,000	11,280,000
Net operating earnings	<u>\$ 12,863,000</u>	<u>\$ 12,954,000</u>
Assets under administration	\$4,283,000,000	\$3,774,000,000
Deposits	1,808,000,000	1,577,000,000
Loans	1,608,000,000	1,408,000,000
Estates, trusts and agencies	2,375,000,000	2,109,000,000
Shareholders' equity	78,122,000	72,121,000
Net operating earnings per share	\$ 2.33	\$ 2.35
Dividends paid per share	1.15	.93
Shareholders' equity per share	14.15	13.06
Market price per share		
High	34¼	35
Low	26½	24½
December 31	31¾	34
Price/Earnings multiple, December 31	13.6	14.5
Number of shares outstanding	5,521,088	5,521,088
Number of shareholders	4,654	4,617
Number of employees	2,105	1,986
Number of branches	86	81
Number of Real Estate Offices	42	36

The 1972 figures have been restated to be on a comparable basis with current accounting practices.



To many Canadians a home of their own is a lifelong ambition. This family purchased their home with the help of our real estate department and arranged financing with a Canada Trust mortgage. *Portrait by Karsh, Ottawa.*

CHAIRMAN'S AND PRESIDENT'S REPORT

Canada Trust in 1973 recorded another year of substantial growth. Assets under administration increased at an unprecedented rate, the branch system was extended, and our real estate operations handled a record volume of business.

The remarks of the General Manager elsewhere in these pages provide details of this growth and the accomplishments of the past year.

During the year we saw historically high interest rates which adversely affected our traditional spread between average interest earned and paid. This factor, combined with increased general operating expenses, a sharp escalation in salary costs and higher rates of corporate income tax, kept net operating earnings at a level slightly less than the previous year despite the increase in business volume. However earnings before income taxes showed an increase of \$819,000.

Ten Year Record

During the past decade net operating earnings have grown from \$3.1 millions to \$12.9 millions, assets under administration from \$1,154 millions to \$4,283 millions, shareholders' equity from \$30 millions to \$78 millions, the branch system from 38 to 86, and the number of employees from 1,148 to 2,105.

Accounting Changes

Since 1972, further significant changes have been made in our accounting procedures. The allowance for possible future losses previously shown as a deduction from total investments is now shown, net of income taxes, as a contingency reserve in the shareholders' equity section of the balance sheet.

Income taxes related to this accumulated allowance have been included in the provision for future income taxes. The contingency reserve increase is the maximum allowable, net of tax, as a provision for possible future mortgage losses under the Income Tax Act.

For the first time details of the Companies' contractual obligations in respect of lease rentals have been shown in a note to the consolidated financial statements.

Special Investments

Our wholly-owned real estate subsidiary, Truscan Realty Limited, which was formed in 1972, is in the process of considering a number of potential investments. We plan to move slowly into this new area with the objective of acquiring over the years an attractive real estate investment portfolio.

Insmor Mortgage Insurance Company, in which we hold a 15% interest, enjoyed growth beyond expectations during the past year and we increased our capital investment to \$1.5 millions. This company, which commenced operations in 1973, insures mortgages beyond the 75% loan-to-value ratio.

In addition to these two special investments we have held from inception a 10% interest in each of RoyNat Ltd. and Oxford Development Group Ltd. RoyNat Ltd. was formed in 1963 and has provided financing to hundreds of small and medium-sized Canadian companies. Oxford has, during the past ten years, developed a portfolio of exceptionally attractive real estate investments across Canada having a total value well in excess of \$100 millions. Both these investments show a substantial increase in capital value.

J. ALLYN TAYLOR

*Chairman of the Board and of the
Executive Committee*



ARTHUR H. MINGAY

President and Chief Executive Officer



International

We have in recent years been giving serious consideration to the merits of extending our operations overseas. Any step in this direction requires a great deal of exploratory work and to this end Mr. Derek J. Warren, formerly Assistant General Manager—Prairie Region, took up residence in London, England on June 30th, 1973. He will spend a full year studying the potential opportunities and the course we might sensibly follow should we decide to extend our business internationally.

New Head Office

In the Fall of 1974 we will move our corporate headquarters into the new Canada Trust Tower forming a part of the City Centre development now under construction at the corner of Dundas and Wellington Streets in the City of London. The total City Centre complex will include 750,000 square feet of office space in three high-rise towers, 140,000 square feet of retail space on two levels and a 22 story 350 room convention-oriented hotel. Parking for approximately 550 cars will be provided on two underground levels.

Television Series

Our television series "To The Wild Country" continues to receive excellent comment and audiences. Five of these shows, featuring Canada's natural beauty, were aired in 1973... three more are scheduled for early 1974 over the CBC-TV national network.

Senior Management Appointments

On December 15th, 1973, the following senior management appointments were announced:

Mervyn L. Lahn moved from the position of Deputy General Manager to Senior Vice-President and General Manager. Mr. Lahn in this new role assumes responsibility for the day-to-day operations of the Company and under his leadership we are confident the Company will establish new records of growth in the years ahead.

Mr. John D. Wilson was appointed Senior Vice-President—British Columbia Region and Melvin M. Hawkrigg, C.A. Senior Vice-President—Toronto Region. Each was formerly a Vice-President.

Mr. James T. Lindores was appointed Vice-President—Personnel Services; Donald E. McLean, Vice-President—Marketing Services; Charles C. Parsons, F.C.A., Vice-President—Administrative Services; Jack H. Speake, Vice-President—Trust Services; Keith L. Sumner, Vice-President—Financial Services; John R. Biggs, Vice-President—Southern Ontario Region; Archie H. Kerr, C.A., Vice-President—Central Ontario Region; Leonard W. Stoll, Vice-President—Prairie Region and Derek J. Warren, Vice-President—Special Assignment, Europe. Each was formerly an Assistant General Manager.

Mr. Liam S. O'Brian became Vice-President—Eastern Canada Region on rejoining the Company in May, 1973, after an absence of some three years during which he served as National Director for the Progressive Conservative Party.

The management of our Company enters 1974 with an excellent sense of direction provided by a highly dedicated group of professional managers.

Directorate

Two new Directors were elected during the year.—Mr. Louis Rasminsky, C.C., C.B.E., recently retired Governor of the Bank of Canada, Ottawa, and Mr. Edwin C. Phillips, President of Westcoast Transmission Company Limited, Vancouver.

Unfortunately, because of statutory age limitation, Mr. Alfred S. Upton, Kitchener, and Mr. Carl N. Weber, Waterloo, will not be eligible for re-election to the Board at the Annual Meeting on February 13th, 1974. During the year Mr. William C. Mearns, Victoria, retired from the British Columbia Advisory Board. Mr. Ernest A. R. Newson will retire from the Toronto Advisory Board and Mr. John T. Armstrong, Georgetown, Dr. Benjamin D. Young, Campbellville and Mr. E. Manse Milne, Burlington, from the Halton and Peel Advisory Board, at the Annual Meeting. Each of these gentlemen has added significant strength to the conduct of the affairs of the Company and will be greatly missed.

1974 Prospects

1974 promises to be a year of unusual uncertainty, which makes sound planning extremely difficult. Our results for the year will be determined in large measure by the effectiveness of our own people and by the performance of the Canadian economy, which today more than ever is affected by a host of international considerations.

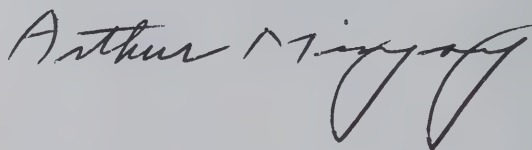
A very special effort will be made in 1974 to control as effectively as possible general operating expenses and a satisfactory profit level will be achieved if we are able to maintain an interest rate spread reasonably close to our traditional spread. A significant decline in current high short-term rates will be required to make this possible.

Appreciation

The success of Canada Trust depends on the more than 2,100 men and women on our staff performing their diverse functions in an efficient manner. On behalf of Directors, Advisory Board members and shareholders alike, we wish to extend our warm thanks to them for many jobs well done.



*Chairman of the Board and of the
Executive Committee*



President and Chief Executive Officer

London, Ontario, January 25, 1974



Running a household or a business requires careful budgeting and financial records. Many families find a Canada Trust Personal Chequing Account the ideal solution. *Portrait by Karsh, Ottawa.*

Consolidated Statement of Earnings, year ended December 31

	1973	1972
Income		
Investment		
Securities	\$ 13,926,000	\$ 11,441,000
Loans	<u>135,867,000</u>	<u>118,355,000</u>
	<u>149,793,000</u>	<u>129,796,000</u>
Fees and commissions		
Estates, trusts and agencies	6,123,000	5,604,000
Pension trusts and pooled funds	4,055,000	3,204,000
Corporate trust services	1,647,000	1,829,000
Real estate sales	<u>5,922,000</u>	<u>3,855,000</u>
	<u>17,747,000</u>	<u>14,492,000</u>
Other	<u>3,088,000</u>	<u>2,603,000</u>
	<u>170,628,000</u>	<u>146,891,000</u>
Expense		
Interest on deposits		
Demand	23,058,000	17,804,000
Cashable term	2,591,000	972,000
Term	<u>84,406,000</u>	<u>74,003,000</u>
	<u>110,055,000</u>	<u>92,779,000</u>
Salaries, pension and other employee benefits	18,108,000	15,201,000
Real estate commissions	3,894,000	2,434,000
Net premises expense note 5	3,852,000	3,316,000
Other	<u>9,666,000</u>	<u>8,927,000</u>
	<u>145,575,000</u>	<u>122,657,000</u>
Earnings before income taxes	25,053,000	24,234,000
Income taxes note 3	<u>12,190,000</u>	<u>11,280,000</u>
NET OPERATING EARNINGS	12,863,000	12,954,000
Other net gains after income taxes		
Securities	3,000	78,000
Premises	<u>36,000</u>	<u>150,000</u>
Net earnings	<u>\$ 12,902,000</u>	<u>\$ 13,182,000</u>
Earnings per share		
NET OPERATING EARNINGS	\$ 2.33	\$ 2.35
Other net gains	.01	.04
Net earnings	<u>\$ 2.34</u>	<u>\$ 2.39</u>

Consolidated Statement of Retained Earnings, December 31

	1973	1972
Balance at beginning of year	\$ 441,000	\$ 457,000
Net earnings	<u>12,902,000</u>	<u>13,182,000</u>
	<u>13,343,000</u>	<u>13,639,000</u>
Deduct		
Dividends	6,901,000	5,411,000
Transfer to general reserve	5,000,000	7,787,000
Transfer to contingency reserve	<u>996,000</u>	<u> </u>
	<u>12,897,000</u>	<u>13,198,000</u>
Balance at end of year	<u><u>\$ 446,000</u></u>	<u><u>\$ 441,000</u></u>

Consolidated Statement of General Reserve, December 31

Balance at beginning of year	\$51,200,000	\$43,413,000
Transfer from retained earnings	<u>5,000,000</u>	<u>7,787,000</u>
Balance at end of year	<u><u>\$56,200,000</u></u>	<u><u>\$51,200,000</u></u>

Consolidated Statement of Contingency Reserve, December 31 note 2

Balance at beginning of year	\$ 9,438,000	\$
Previously reported as allowance for possible future losses		18,877,000
Less related future income taxes		<u>9,439,000</u>
As restated	<u>9,438,000</u>	<u>9,438,000</u>
Transfer from retained earnings	<u>996,000</u>	<u> </u>
Balance at end of year	<u><u>\$10,434,000</u></u>	<u><u>\$ 9,438,000</u></u>

Consolidated Balance Sheet, December 31

	1973	1972
ASSETS		
Cash and cashable term deposits	\$ 75,473,000	\$ 14,281,000
Investments		
Securities <i>note 4</i>		
Bonds		
Government of Canada	104,280,000	140,584,000
Provinces of Canada	12,658,000	20,410,000
Other	54,217,000	35,817,000
	171,155,000	196,811,000
Stocks	24,736,000	18,846,000
	195,891,000	215,657,000
Loans		
Mortgages		
Conventional	1,319,341,000	1,130,677,000
National Housing Act	235,237,000	220,572,000
	1,554,578,000	1,351,249,000
Consumer and personal	26,018,000	16,045,000
On securities	27,833,000	40,913,000
	1,608,429,000	1,408,207,000
Total investments	1,804,320,000	1,623,864,000
Advances to estates, trusts and agencies	1,409,000	1,406,000
Income taxes refundable <i>note 3</i>		532,000
Real estate acquired in settlement of loans	174,000	817,000
Premises and equipment <i>note 5</i>	24,394,000	23,386,000
Other	1,805,000	911,000
	<u>\$1,907,575,000</u>	<u>\$1,665,197,000</u>

The undersigned officials of The Huron and Erie Mortgage Corporation and The Canada Trust Company hereby certify that they have examined the foregoing consolidated statements of said Companies and that to the best of their knowledge and belief the said consolidated statements are correct, and show truly and clearly the financial condition of the affairs of the Companies.

J. ALLYN TAYLOR Chairman
W.A. BEAN, Deputy Chairman
A. H. MINGAY, President

	1973	1972
LIABILITIES		
Deposits		
Demand	\$ 533,534,000	\$ 517,326,000
Cashable term	76,422,000	37,487,000
Term	1,198,347,000	1,022,608,000
	<u>1,808,303,000</u>	<u>1,577,421,000</u>
Other liabilities		
Income taxes payable <i>note 3</i>	2,972,000	
Dividend payable	1,656,000	1,104,000
	<u>4,628,000</u>	<u>1,104,000</u>
Provision for future income taxes <i>notes 2 and 3</i>	<u>16,522,000</u>	<u>14,551,000</u>
SHAREHOLDERS' EQUITY		
Capital		
Authorized, 10,000,000 shares of \$2 each		
Issued and fully paid, 5,521,088 shares	11,042,000	11,042,000
General reserve	56,200,000	51,200,000
Contingency reserve <i>note 2</i>	10,434,000	9,438,000
Retained earnings	446,000	441,000
	<u>78,122,000</u>	<u>72,121,000</u>
	<u>\$1,907,575,000</u>	<u>\$1,665,197,000</u>

1. Basis of Consolidation

Included in the consolidated financial statements are the accounts of The Huron and Erie Mortgage Corporation, The Canada Trust Company and Truscan Realty Limited. Consolidated assets include \$938,669,000 in 1973 and \$798,564,000 in 1972, held to secure guaranteed trust deposits.

2. Change in Accounting and Reporting Practices

In prior years it was the policy of the companies to charge earnings with the maximum amount allowable under the Income Tax Act as an allowance for possible future losses. The accumulated allowance, which in 1972 was deducted from total investments, was transferred during 1973, net of income taxes, to a contingency reserve included in the shareholders' equity section of the consolidated balance sheet. Income taxes relating to the accumulated allowance have been included in the provision for future income taxes. The additional allowance available for 1973, less related income taxes, has been transferred from retained earnings to the contingency reserve in the amount of \$996,000. No charges for possible future losses have been made to earnings since 1968 and the accompanying Ten Year Record has been restated to eliminate any such charges from prior earnings. Accordingly, earnings reported for 1973 are comparable with those of the prior years.

3. Income Taxes

The Department of Finance of the Government of Canada indicated by press release dated December 27, 1973 that the Government intends to introduce an amendment to the Income Tax Act requiring financial institutions to report interest income for tax purposes on the accrual basis. The amendment is to be effective for 1972 and subsequent taxation years. In the above financial statements, income taxes on accrued interest income have been included in the provision for future income taxes rather than income taxes payable. Accordingly, if the Income Tax Act is amended as set out above, current income taxes payable for 1973 would be increased by \$5,107,000 (\$4,257,000 of which is applicable to 1972) and the provision for future income taxes would be reduced by a similar amount. These changes would have no material effect on reported net earnings.

The balance of the provision for future income taxes arises as a result of claiming capital cost allowances in excess of depreciation recorded in the accounts and claiming an allowance for possible future losses referred to in note 2.

Income taxes accordingly are as follows:

	1973	1972 (restated)
Current	\$10,219,000	\$ 6,907,000
Provision for future	1,971,000	4,373,000
Charge to operations	<u>\$12,190,000</u>	<u>\$11,280,000</u>

4. Securities

Bonds are stated at amortized cost and stocks are stated at cost.

The market values at December 31, are:

	1973	1972
Bonds		
Government of Canada	\$102,664,000	\$141,127,000
Provinces of Canada	11,152,000	19,170,000
Other	<u>52,246,000</u>	<u>34,647,000</u>
	166,062,000	194,944,000
Stocks	<u>38,035,000</u>	<u>31,778,000</u>
	<u>\$204,097,000</u>	<u>\$226,722,000</u>

5. Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation of \$12,340,000 at December 31, 1973 and \$11,149,000 at December 31, 1972.

Depreciation of \$1,221,000 for 1973 and \$1,147,000 for 1972 is computed on the straight line method and is included in net premises expense.

6. Lease Commitments

At December 31, 1973 the companies had contractual obligations in respect of lease rentals as follows:

Unexpired Term	Annual Amount
Less than 5 years	\$ 833,353
More than 5 years	<u>1,998,940</u>
	<u>\$2,832,293</u>

Auditors' Report

To the Shareholders of
The Huron and Erie Mortgage Corporation.

We have examined the consolidated balance sheet of The Huron and Erie Mortgage Corporation and its subsidiary companies as at December 31, 1973 and the consolidated statements of earnings, retained earnings, general reserve and contingency reserve for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the

explanations given to us and as shown by the books of the companies, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retro-active effect to the change in accounting practices described in Note 2 to the consolidated financial statements.

THORNE GUNN & CO.
Chartered Accountants

CLARKSON, GORDON & CO.
Chartered Accountants

January 14, 1974
London, Canada.

Board of Directors

All those listed are Directors of Canada Trust except Henry Borden, J. B. Cronyn and Louis Rasminsky who are Directors of Huron and Erie. Those serving as Directors of both Companies are indicated by an asterisk(*).

*A. E. BARRON, Toronto,
Chairman, Canadian Tire
Corporation Limited

*W. A. BEAN, Waterloo,
Deputy Chairman,
Canada Trust

W. J. BEATTY, Acton,
Retired Executive

W. J. BLACKBURN, London,
Publisher, London Free Press
Printing Company Limited

HENRY BORDEN, Toronto,
Corporate Director

G. M. BRAY, Kitchener,
Barrister and Solicitor

C. W. BRAZIER, Vancouver,
Barrister and Solicitor

D. W. BROWN, Kitchener,
Chairman, Lear Siegler
Industries Limited

HUGH CAMPBELL, Ottawa,
Corporate Director

C. R. CLARKE, London,
General Counsel and Secretary,
Canada Trust

J. V. CLYNE, Vancouver,
Director, MacMillan Bloedel Limited

J. B. CRONYN, London,
Vice Chairman,
John Labatt Limited

G. H. DOBBIE, Cambridge-Galt,
President, Dobbie Industries Limited

T. EDMONDSON, St. Catharines,
Chairman, Ferranti Packard Limited

W. W. FOOT, Kitchener,
Chairman, Economical Mutual
Insurance Company

C. S. GLASSCO, Hamilton,
Chairman, The Southam Printing
Company Limited

*J. D. HARRISON, London,
Barrister and Solicitor

W. H. HEMPHILL, Stratford,
President, Imperial Furniture
Mfg. Co. Ltd.

ELMORE HOUSER, Toronto,
Barrister and Solicitor

*A. H. JEFFERY, London,
President, London Life Insurance Company

R. A. KNIGHTON, London,
Senior Tax Consultant, Canada Trust

*TOM F. G. LAWSON, London,
President, Lawson & Jones Limited

*K. R. MacGREGOR, Waterloo,
Chairman, The Mutual Life Assurance
Company of Canada

*O. E. MANNING, Oakville,
Retired Executive

C. A. MARTIN, Milton,
Farmer

H. S. MATTHEWS, Guelph,
Retired Executive

*M. C. G. MEIGHEN, Toronto,
Chairman, Canadian General
Investments Limited

E. D. L. MILLER, London,
Treasurer, Canada Trust

*A. H. MINGAY, London,
President and Chief Executive Officer,
Canada Trust

J. E. MOTZ, Kitchener,
President and Publisher,
Kitchener-Waterloo Record

W. J. MCGIBBON, Waterloo,
Barrister and Solicitor

DUNCAN McINTOSH, Cambridge-Galt,
President and Managing Director
Gore Mutual Insurance Company

C. O. NICKLE, Calgary,
President, Conventures Limited

E. C. PHILLIPS, Vancouver,
President, Westcoast Transmission
Company Limited

LOUIS RASMINSKY, Ottawa,
Chairman, International Development
Research Centre

G. E. ROBERTSON, Guelph,
Retired Executive

E. G. SCHAFER, Kitchener,
Senior Vice-President,
Lutheran Life Insurance
Society of Canada

J. E. F. SEAGRAM, Waterloo,
President, Canbar Products Limited

G. E. SHARPE, Winnipeg,
President, Sharpe's Limited

W. H. SPRAGUE, Edmonton,
Chairman, Sprague Drug Limited

W. J. STENASON, Montreal,
Vice-President—Administration,
Canadian Pacific Limited

R. W. STEVENS, Toronto,
Barrister and Solicitor

J. D. STEVENSON, Toronto,
Barrister and Solicitor

J. J. STUART, Windsor,
Chairman and President,
J. T. Wing Limited

*J. A. TAYLOR, London,
Chairman, Canada Trust

NOAH TORNO, Toronto,
Chairman and Chief Executive Officer,
Jordan Valley Wines Limited

A. S. UPTON, Kitchener,
Retired Executive

C. N. WEBER, Kitchener,
Chairman, C. N. Weber Limited

*G. E. G. WHITAKER, London,
Retired Executive

*J. D. WILSON, Vancouver,
Senior Vice-President, Canada Trust

R. B. WILSON, Victoria,
President, The B. Wilson Company Limited

R. D. WOLFE, Toronto,
Chairman and Chief Executive Officer,
The Oshawa Group Limited

Honorary Directors

V. P. CRONYN
GORDON FARRELL
H. H. LEATHER
H. L. McCULLOCH
J. W. SCOTT
M. J. SMITH
J. G. THOMPSON
CLARENCE WALLACE
A. E. WALFORD

Ten Year Record

	1973	1972	1971
For the year (000's omitted)			
Income	\$ 170,628	\$ 146,891	\$ 129,485
Expense	145,575	122,657	109,702
Earnings before income taxes	25,053	24,234	19,783
Income taxes	12,190	11,280	9,621
Net operating earnings	<u>\$ 12,863</u>	<u>\$ 12,954</u>	<u>\$ 10,162</u>
At year end (000's omitted)			
Assets under administration	\$4,283,000	\$3,774,000	\$3,272,000
Deposits	1,808,000	1,577,000	1,398,000
Loans	1,608,000	1,408,000	1,250,000
Estates, trusts and agencies	2,375,000	2,109,000	1,797,000
Shareholders' equity	78,122	72,121	64,351
Per share			
Net operating earnings	\$ 2.33	\$ 2.35	\$ 1.84
Dividends paid	1.15	.93	.59
Shareholders' equity	14.15	13.06	11.66
Market price			
High	34¼	35	26¼
Low	26½	24½	19¾
December 31	31¾	34	24½
Price/Earnings multiple, December 31	13.6	14.5	13.3
Statistical data at year end			
Number of shares outstanding	5,521,088	5,521,088	5,521,088
Number of shareholders	4,654	4,617	4,558
Volume of shares traded during year	479,900	422,900	458,800
Number of employees	2,105	1,986	1,899
Number of branches	86	81	80
Number of real estate offices	42	36	23

These statistics have been restated for 1972 and prior years to be on a comparable basis with current accounting practices.

1970	1969	1968	1967	1966	1965	1964
\$ 113,113	\$ 93,776	\$ 65,730	\$ 51,348	\$ 45,446	\$ 38,764	\$ 33,096
101,470	83,205	56,463	43,017	37,326	31,581	27,059
11,643	10,571	9,267	8,331	8,120	7,183	6,037
5,632	5,117	4,527	3,961	3,934	3,495	2,909
<u>\$ 6,011</u>	<u>\$ 5,454</u>	<u>\$ 4,740</u>	<u>\$ 4,370</u>	<u>\$ 4,186</u>	<u>\$ 3,688</u>	<u>\$ 3,128</u>

\$2,871,000	\$2,574,000	\$2,232,000	\$1,689,000	\$1,501,000	\$1,363,000	\$1,154,000
1,255,000	1,139,000	997,000	662,000	596,000	527,000	444,000
1,110,000	980,000	834,000	582,000	518,000	446,000	372,000
1,546,000	1,375,000	1,197,000	977,000	860,000	795,000	669,000
57,489	46,908	43,910	42,207	39,353	36,371	30,287

\$ 1.18	\$ 1.11	\$ 1.09	\$ 1.09	\$ 1.05	\$.94	\$.87
.53	.52	.46	.43	.40	.31	.38
10.41	9.55	8.94	10.55	9.84	9.09	8.41

20⅞	18½	17¼	11	14	14½	14
14¼	14½	9½	9	8½	11⅞	12½
20⅞	16¾	16¾	9⅞	8⅞	12	13¾
17.1	15.1	15.4	9.1	8.5	12.8	15.8

5,521,088	4,911,856	4,911,856	4,000,000	4,000,000	4,000,000	3,600,000
4,678	4,763	4,961	3,154	3,078	2,724	2,005
560,400	538,600	711,900	190,450	196,600	267,200	313,000
1,868	1,795	1,692	1,266	1,247	1,220	1,148
81	78	77	55	52	49	38
18	16	14	10	8	6	6



The proper use of credit today is part of good financial planning. This couple arranged the purchase of their automobile with the help of a Canada Trust Personal Loan. *Portrait by Karsh, Ottawa.*

General Manager's Report

The year 1973 was one of contrasts for Canada Trust. Assets under administration increased by \$509 millions, being 13%, to \$4.28 billions. Net operating earnings however, did not keep pace at \$12,863,000 or \$2.33 per share compared with \$12,954,000 being \$2.35 per share in 1972.

The nation's most serious peacetime inflation in the modern era continued unrelentingly during the year, significantly impacting operating results. Interest rates rose dramatically in concert with the increased rate of inflation. The spread between the average interest rate earned and paid decreased to 1.98% in 1973 from 2.15% in the previous year. Total income increased \$24 millions being 16%, whereas major expense components comprised of interest on deposits; salaries and other employee benefits; other operating expenses; increased by 19%, 19% and 8% respectively and 18% collectively. The resultant margin of pre-tax earnings to total income reduced to 14.7% from 16.5% in 1972. Earnings before income taxes amounted to \$4.54 per share up slightly from \$4.39 in 1972. The effective rate of income tax increased by 2.1% to 48.7% due to expiry of the special income tax abatement which existed in 1972. Income taxes per share were \$2.21 in 1973 and \$2.04 in 1972.

Financial Services

Total deposits increased by \$231 millions or 15% during the year compared to \$179 millions in 1972. Depositors enjoyed levels of interest rates which equalled or exceeded those of the previous highs in the 1969-70 period. Term deposit rates reached 9% in the summer, up from 7½% at the beginning of the year. The interest rate paid on savings accounts increased from 5% to 7¼% at present, but depositors generally were attracted to the higher rate term deposits and growth in demand deposits was modest.

Mortgage activity continued at a high level—accepted applications reached \$505 millions of



MERVYN L. LAHN

Senior Vice-President and General Manager

which 97% financed various forms of housing from Halifax to Victoria. The mortgage portfolio passed the significant milestone of \$1½ billions. Arrears at year-end were at the lowest level in many decades. Mortgage investments increased by \$203 millions or 15% which compares with \$143 millions in 1972. The prime rate of interest charged on mortgages, 10% at year-end, did not rise commensurately with the increase in deposit rates. Our interest rate spread is being squeezed to the extent that alternative lending and investing opportunities which provide a fair and necessary spread are actively being sought.

Consumer loans advanced exceeded \$36 millions, substantially higher than the \$20 millions loaned for a wide range of consumer needs in 1972. The portfolio increased by \$10 millions during the year to \$26 millions. This service, launched five years ago is expected to contribute significantly to earnings in 1974 and subsequent years. Loss experience remains excellent.

Late in 1973, Income Averaging Contracts were introduced following changes in the Income Tax Act.

Trust Services

Estate, trust and agency business showed continuing substantial growth. Fees and commissions from these services were up 9%, a significant increase, but not sufficient to match increased salary and other operating expenses. Careful ongoing study is being given this important sector of our operations in an attempt to improve the level of profitability.

Pension trust assets maintained the growth pattern of prior years and at year-end approximated \$1 billion. Employee benefit programs are increasing in complexity and, in anticipation of this trend continuing, the Division has embarked on an expanded communications program for its 840 corporate clients.

The 1973 pilot project on preparation of individual income tax returns was successful and during 1974 the service will be offered through all 64 Ontario financial services branches.

Corporate transfer agency and bond trusteeship records in our major operating centres were computerized during the year. The system is capable of considerable volume expansion without comparable operating cost increases.

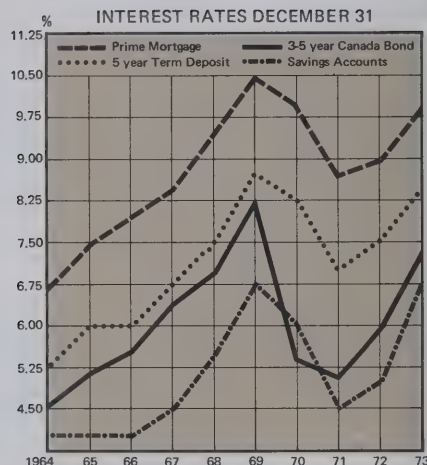
Gross sales of our retail funds, comprised of Retirement Savings Plans and Investment Funds, were \$79 millions to bring our total market value in these funds to \$280 millions.

Real Estate

Real Estate sales commissions earned reached almost \$6 millions, an increase of 54% over 1972. Real Estate offices across the country now number 42.

Marketing Services

Continuing aggressive marketing programs for Retirement Savings Plans and Consumer Loans tremendously assisted the achievement of record volumes. New account building promotions for nine new or renovated branches and "Ford" promotions in four Regions achieved target goals. Increased marketing research is providing required information for management decisions.



Data Processing

A successful conversion from two I.B.M. 360/30 computers to one I.B.M. 370/145 computer was completed. Substantial additional capacity was achieved at modest incremental cost.

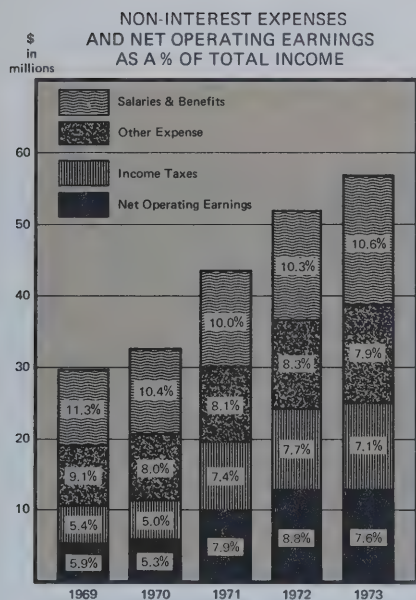
The unibranch on-line savings system was extended to an additional 12 branches bringing the total to 47 of 86.

Branches and Premises

Our branch system was increased by five. Six branches were opened: Burnaby-Kingsway, Greater Vancouver; Eastgate Square Shopping Centre, Hamilton; City Centre, Bramalea; John Galt Shopping Centre, Cambridge; Square One Shopping Centre, Mississauga; and Chatham Place Shopping Mall, Chatham. The business of our former Vancouver East Hastings branch was merged with that of other branches in the city.

Plans call for seven new branches in 1974—Greater Hamilton Centre and Burlington Mall, being new concept branches in The G.W. Robinson Co. Ltd. department stores, Calgary South, Richmond Hill, Kitchener Market Square, London City Centre and London Sherwood Forest at Hutton. This will bring our financial services branch system to 93 at the end of 1974.

Relocations or major renovations were completed for Halifax, Burlington-Brant, Delhi and Kitchener-King at Ontario branches during 1973.



Personnel Services

Strong evidence of our ongoing commitment to employees to provide learning opportunities to assist in career advancement was the participation by 1,468 employees in 34 developmental programs. Our staff developed and conducted 22 of these programs.

A comprehensive and flexible benefit program was introduced to cover employees in our expanding Real Estate operation. Paramount was the objective to not only offer outstanding benefit coverage, but to fully recognize the singular contribution which over 300 commissioned real estate personnel across Canada make to our success.

In 1973 the final phase of a four year salary administration program was completed. Designed to ensure competitive remuneration for our employees with accent on performance, it was well received. In 1974 a job evaluation program will be introduced for effective ongoing maintenance of the salary administration program.

Our personnel planning system makes possible the early identification of potential amongst employees. An integral part of the system is the forecasting of future human resource needs.

Recruitment and training to meet these requirements are identified and planned with appropriate lead times.

Planning

Operational planning has been effective for many years. As well, in 1973 further progress was made in formally selecting and adopting longer range strategic plans to enable attainment of clearly defined corporate objectives which will mutually satisfy legitimate customer, employee, shareholder and social wants.

People

The strength of our organization truly lies in the loyalty and skills of our over 2,400 personnel, both salaried and commissioned. For their outstanding individual and collective efforts we pay tribute and extend sincere thanks.

The Year Ahead

Agreement prevails that a high level of inflation will continue unabated for at least the first half of 1974. Our salary adjustments at year-end fully reflect this anticipation. Further substantial price increases will be reflected in higher operating expenses.

Interest rates, while historically high, may well persist at current levels for some months to come. In such an environment it is difficult to visualize maintaining the 1973 level of operating earnings in 1974. Any near term improvement in earnings is largely dependent on a reduction in short term interest rates. In the longer run we are fully confident of meaningful profit growth to which our total organization is committed.

Therese L. Laid

Senior Vice-President and General Manager
London, Ontario, January 25, 1974

Corporate Management Group



1. LIAM S. O'BRIAN
Vice-President—Eastern Canada Region
2. JACK H. SPEAKE
Vice-President—Trust Services
3. LEONARD W. STOLL
Vice-President—Prairie Region
4. CHARLES C. PARSONS, F.C.A.
Vice-President—Administrative Services
5. ARCHIE H. KERR, C.A.
Vice-President—Central Ontario Region
6. JOHN D. WILSON
Senior Vice-President—British Columbia Region
7. MERVYN L. LAHN
Senior Vice-President and General Manager
8. MELVIN M. HAWKRIGG, C.A.
Senior Vice-President—Toronto Region
9. JOHN R. BIGGS
Vice-President—Southern Ontario Region
10. DONALD E. McLEAN
Vice-President—Marketing Services
11. JAMES T. LINDORES
Vice-President—Personnel Services
12. KEITH L. SUMNER
Vice-President—Financial Services
13. DEREK J. WARREN
Vice-President—Special Assignment—Europe





Advisory Boards

NORTHERN ALBERTA

W. H. SPRAGUE, Edmonton,
Chairman, Sprague Drug Limited
F. T. JENNER, Edmonton,
Retired Executive
G. D. LOVE, Edmonton,
President, Oxford Development Group Limited
W. C. MacKENZIE, Edmonton,
Dean, Faculty of Medicine, University of Alberta
D. R. B. McARTHUR, Edmonton,
Chairman, Inland Cement Industries Limited
J. A. WEBER, Edmonton,
President, Weber Bros. Realty Limited

HALTON & PEEL

O. E. MANNING, Oakville,
Director, Canada Trust
J. T. ARMSTRONG, Georgetown,
Insurance Agent
J. R. BARBER, Georgetown,
President, Barber & Henley Limited
J. S. BEATTY, Oakville,
Retired Executive
W. J. BEATTY, Acton,
Retired Executive
M. C. BEATY, Milton,
Real Estate Representative
A. G. CLARKSON, Streetsville,
Fruit Farmer
F. M. EARLY, Brampton,
President, Early's Farm Supply Ltd.
REFORD GARDHOUSE, Milton,
Livestock Farmer
E. D. GOULDING, Toronto,
President, Goulding, Rose & Turner Ltd.
JOHN GOY, Acton,
President, Goy Cartage Ltd.
MICHAEL LEDWITH, Milton,
Real Estate and Insurance
C. A. MARTIN, Milton,
Farmer
W. H. McCAUGHERTY, Streetsville,
Retired Farmer

ANGUS McMILLAN, Oakville,
Barrister and Solicitor
JAMES PENGILLEY, Mississauga,
Retired Farmer
E. S. PORTEUS, Dundas,
Retired Executive
E. E. SLACER, Oakville,
Retired Farmer
B. D. YOUNG, Campbellville,
Veterinarian

HAMILTON

C. S. GLASSCO, Hamilton,
Chairman, The Southam Printing Company Limited
S. A. ALLAN, Hamilton,
Retired Executive
W. R. CARTER, Hamilton,
President, Carters Limited
R. W. COOPER, Hamilton,
President, Cooper Construction Co. (Eastern) Ltd.
F. W. DAKIN, Hamilton,
President, The G. W. Robinson Co. Ltd.
C. E. VAUGHAN, Hamilton,
Radiologist

MANITOBA

G. E. SHARPE, Winnipeg,
President, Sharpe's Limited
H. B. MONK, Winnipeg,
Barrister and Solicitor
ALEXANDER ROBERTSON, Winnipeg,
Retired Executive

TORONTO

M. C. G. MEIGHEN, Toronto,
Chairman, Canadian General Investments Limited
A. E. BARRON, Toronto,
Chairman, Canadian Tire Corporation Limited
HENRY BORDEN, Toronto,
Corporate Director
W. H. CLARK, Thornhill,
Retired Executive
ELMORE HOUSER, Toronto,
Barrister and Solicitor

MARGARET P. HYNDMAN, Toronto,
Barrister and Solicitor
ERNEST A. R. NEWSON, Toronto,
Barrister and Solicitor
R. W. STEVENS, Toronto,
Barrister and Solicitor
J. D. STEVENSON, Toronto,
Barrister and Solicitor
NOAH TORNIO, Toronto,
Chairman and Chief Executive Officer,
Jordan Valley Wines Limited
R. D. WOLFE, Toronto,
Chairman and Chief Executive Officer,
The Oshawa Group Limited

BRITISH COLUMBIA

Honorary Chairman
H. R. MacMILLAN, Retired Executive
J. V. CLYNE, Vancouver,
Director, MacMillan Bloedel Limited
R. B. WILSON, Victoria,
President, The B. Wilson Company Limited
H. CLARK BENTALL, Vancouver,
President, Dominion Construction Company Ltd.
C. W. BRAZIER, Vancouver,
Barrister and Solicitor
F. N. CABELDU, Victoria,
Retired Executive
G. B. CURRIE, Vancouver,
Vice President, MacMillan Bloedel Limited
RICHARD NELSON, Vancouver,
Chairman, Nelson Bros. Fisheries Ltd.
E. C. PHILLIPS, Vancouver,
President, Westcoast Transmission
Company Limited
CLARKE SIMPKINS, Vancouver,
President, Clarke Simpkins Ltd.
H. R. STEPHEN, Victoria,
Retired Executive
J. D. WILSON, Vancouver,
Senior Vice-President, Canada Trust
J. H. WILSON, Victoria,
Retired Executive

Head Office and Regional Management

DONALD W. AMBROSE
Manager, Marketing Research
GERALD O. BRADLEY
Supervisor, Borrowings Branches, Vancouver
C. ROBERT CLARKE
General Counsel and Secretary
RONALD CLAYTON
Assistant Vice-President, Toronto Region
DAVID M. COCKFIELD
Manager, Investment Division
FREDERICK S. COLLIER
Supervisor, Borrowings Branches, Toronto
JOHN L. DORAN
Manager, Internal Audit
P. ALBERT HEILAND
Manager, Pension Division
DONALD C. KING
Manager, Loans Division
WALTER J. KUCHERPA
Manager, Real Estate Division
DONALD A. MacDONALD
Manager, Corporate Trust Division

D. ERIC MacMILLAN
Manager, Data Processing and Stationery
PETER C. MAURICE
Assistant Vice-President, Corporate Planning
ROBERT J. McCLELLAND
Supervisor, Branch Administration,
Prairie Region
KENNETH T. McNAIR
Manager, Premises Division
SEAN J. McNAMARA
Manager, Funds Division
KENNETH W. MESTON
Manager, Personal Trust Division
E. D. L. MILLER
Treasurer
ALAN D. MUNRO
Assistant Vice-President, British Columbia Region
FREDERICK NEUFELD
Supervisor, Branch Administration
Southern Ontario Region
JACK OLDHAM
Manager, Corporate Public Relations Division

FRANK W. PRATT
Manager, Marketing Services
ROBERT E. REDGWELL
Comptroller
JOHN D. RICHARDSON
Manager, Tax Division
KENNETH W. SHEWFELT
Supervisor, Branch Administration
Central Ontario Region
ROBERT J. E. SMITH
Manager, Compensation and Benefits
HARRY A. SYER
Assistant General Manager
DUNCAN F. TILLY
Manager, Personnel Services
NORMAN WHITE
Manager, Systems & Programming
JAMES R. WILKEN
Manager, Deposit Services Division
GWYN E. WILLIAMS
Superintendent of Mortgages



Personal financial planning is vitally important, particularly for one's family. A Canada Trust Estate Planning Consultant helped this successful businessman to formulate an estate plan that meets his individual needs. *Portrait by Karsh, Ottawa*

Services

Large or small. Personal or business. Financial matters are important. Canada Trust offers experienced know-how in a wide range of financial services a few of which are described here.

The Government Makes The Tax Rules...Start Using Them And Save Some Money

The government says in effect, "Plan now for your retirement and we'll allow you to pay as much as \$4,000 into a registered retirement savings plan. And we won't tax you on it now." The money you save in a Canada Trust individual Retirement Savings Plan can be invested in a variety of ways with flexibility. Group Registered Retirement Plans are also available for employees of Corporations.

Plan Ahead

How often you hear this phrase in today's world. And these words apply to your personal financial life, too! It's important you plan now for the future. A Canada Trust estate planning consultant can show you how to plan for the financial well-being of you and your family.

Two Plans to Assist You With Your Investments

One plan relieves individuals, corporations and organizations of much of the responsibility in the safekeeping and day-to-day record keeping for transactions of all types of securities. The second plan does all this as well as having experienced investment people providing full time portfolio management to meet the client's objectives.

Saving For Today And The Future

Whether it's for a trip, new home, university education...or just a rainy day, Canadians find our savings account the place to save. High interest—calculated monthly—makes dreams come true, faster.

Let Us Do Your Income Tax this Year

Avoid all the time and effort of completing your individual income tax return by having us do it for you. We're specialists. We've been filing returns for customers since Federal income tax was first introduced in 1917. And we guarantee accuracy. If we make an error using the information you supply, we will pay any interest charges or penalties that result.

New! Income Averaging Contracts

If you receive a lump sum of certain types of income, the government permits you to spread it over periods up to fifteen years for tax purposes. With our Income Averaging Contracts you enjoy the convenience of regular payments for the period you select, high interest rates...and tax benefits too!

Building For Tomorrow

As one of Canada's largest mortgage lenders, Canada Trust gives prompt consideration to all applications for loans on new and existing residential, industrial and commercial properties.

Interested In Interest?

Certainly, and we pay high interest rates on your money. Leave it with us for only a month...or up to five years. There's a Canada Trust investment certificate that pays you handsomely for the period of investment you decide on. These term deposits are called Deposit Certificates, Debentures and Guaranteed Investment Certificates.

We'll Help Your Budget

A Canada Trust Personal Chequing Account is a real help to busy housewives...and business people. Saves time...helps keep the budget on course. All that plus a monthly statement, and friendly, convenient service.

Buying or Selling Real Estate? See Our Specialists

Canada Trust has real estate professionals in commercial, industrial and residential properties...and specialists in appraisals and property management.

Don't Appoint "Uncle Charlie!"

"Uncle Charlie" may be a great friend but he's probably not an experienced executor. Your family will need the professional executor know-how plus the continuity of service offered by Canada Trust.

Attention Businessmen

No matter how large—or small—your business, Canada Trust can meet all your requirements as a corporate trustee and transfer agent. We do it with an integrated series of services which relate to the business of caring for your debtholders and shareholders.

Trustee For Employee Benefit Plans

Canada Trust is actively engaged in helping many of Canada's most progressive companies manage their pension and profit sharing plans.

Need Money?

There often comes a time when borrowing money makes good financial sense. One of our low cost Consumer or Personal Loans may be just the answer. Talk it over with your local Canada Trust manager.

More Information?

Any office will be happy to serve you...or write Customer Services Department, Canada Trust, London, Ontario for our booklet "We're a financial service centre."



An important function in Corporate public financing is the role of the transfer agent or trustee. Canada Trust provides a national network of facilities through which financing may be successfully concluded. *Portrait by Karsh, Ottawa*



The management of investments and a company's pension fund requires the combined talents of many people. Together our Investment Management and our Pension Fund Management services help senior executives in their decision-making.

Portrait by Karsh, Ottawa.

Acknowledgements

We thank the following Canada Trust customers, whose photographs appear in the pages of this 1973 Annual Report:

Inside Front Cover:

Mrs. Muriel P. Jeffery
London

Page 1

Miss Debbie King
45th B Brownie Pack
London

Page 2

Monsieur Guy Dugré
Pharmacist
Montreal

Page 4

Mr. & Mrs. D. Cook and children
Union

Page 9

Mr. & Mrs. D. Stenson
Toronto

Page 18

Mr. & Mrs. Laurel Unsworth
Calgary

Page 25

Mr. Dennis T. Meyer
Vice-President
Meyer Industrial Distributors Ltd.
Waterloo

Page 27

Mr. William H. Price, President (standing)
Mr. James B. Cotsworth, Secretary (seated right)
Pan Ocean Oil Ltd., Calgary

Page 28

Mr. F. P. Connell (seated)
Vice-President, Finance,
Mr. W. A. Sloane, Treasurer,
George Weston Limited, Toronto

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Canada Trust